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(SMCCORMICK), EEB/ESC (LWRIGHT); COPENHAGEN FOR ERIK HALL

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SUBJECT: NORWEGIAN ENERGY UPDATE: DEPUTY MINISTER MEETING

¶1. (SBU) Summary. On April 10 Ambassador Whitney met with Deputy Petroleum Minister Stubholt to discuss several energy issues, including the status of the Liquefied Natural Gas (LNG) Snoehvit project, GON views on the recent WIREC conference, access to new oil/gas acreage, the 20th licensing round (including a potential Svalbard territorial claim) and clean energy cooperation. (Note: Originally scheduled to meet with Petroleum Minister Haga; the embattled politician is fending off charges of improperly hiring a fellow party member as a consultant). End Summary.

Snoehvit: A Fractured Fairy Tale

¶2. (SBU) Ambassador Whitney raised the delays of Snoehvit, StatoilHydro's major LNG project (50 percent of its production will reach USG markets through Cove Point, Maryland). Facing massive technological setbacks, relating to coolers with insufficient capacity, the plant was slated to make its first USG delivery last September. Instead, working at 60 percent capacity, the project only delivered its first US shipment in February 2008 before shutting down.

¶3. (SBU) Further hurdles abound. The project may return on-line at only 60 percent capacity this fall, and (hopefully) reach full capacity by the summer of 2009. Reaching this stage will require tearing down the existing facility. Stubholt stressed that the reputations of StatoilHydro, the majority state-owned company behind the project, and the Norwegian government itself, were on the line.

¶4. (SBU) The Ambassador questioned whether the setbacks would adversely affect the massive Shtokman project (Note: StatoilHydro has a 24 percent stake in the holding company developing the Shtokman field, which is the largest known offshore gas field in the world, situated in the Russian sector of the Barents Sea). Given the Snoehvit hurdles, Stubholt admitted that StatoilHydro is forced to look to alternative technologies in that project.

WIREC: Praising USG Efforts, Future Cooperation

¶5. (SBU) The Deputy Petroleum Minister led the Norwegian WIREC delegation. She praised American efforts in clean technology R&D, and applauded the USG focus on renewables and

energy security. While supporting President Bush's WIREC speech, Stubholt expressed some disappointment that climate change themes were not more prominent. Stubholt also believes that more opportunities for USG and GON cooperation exist in areas such as the creation of an off-shore wind regime and in developing Carbon Capture Sequestration and Storage technologies.

Open Doors in Future Rounds?

¶6. (SBU) Ambassador Whitney noted concerns raised by US energy companies that far and few new oil and gas finds have occurred recently. In fact, the most substantial recent discovery, the Ormen Lange field, was discovered in 1997. Given relatively high operating costs (which include compliance with strict health/safety standards and up to 78 percent taxes), companies emphasize that the GON should encourage new field development, including the potentially energy rich Nordland VII and Troms II fields. The GON has resisted opening up these areas, primarily due to their environmentally sensitive fishing stocks. Without major finds, the companies, already vying internally to place priority on Norwegian operations, may drift out of Norway.

¶7. (SBU) Stubholt reiterated that support from a climate change conscious public is needed before Nordland and Troms could ever be opened up, with both areas the subject of a feasibility study due in 2010. She hinted that US energy companies should get involved publicly to quell concerns that exploration would damage the environment, such as focusing on a "full spectrum" of environmental issues and increasing oil recovery technology at mature fields. If the GON approves any access of these areas in 2010, they would not be in operation until 2017.

¶8. (SBU) Stubholt raised that despite such concerns, the high level of US company interest was evidenced given over 300 nominee blocks were submitted for the 20th Licensing Round. (Note: Stubholt quickly dismissed an issue raised by the Russians and Brits that one of the nominated blocks would trigger Svalbard territorial claims).

WHITNEY